

Ms. Linda Holtzscheiter, Reimbursement Manager  
Mariner Post-Acute Network  
15415 Katy Freeway, Suite 800  
Houston, Texas 77094

Re: AC# 3-BCS-J6 – Donald C. Beaver, T. W. Cecil, Richard J. Marsh d/b/a Brian Center  
Nursing Care/St. Andrews

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1995 through September 30, 1996. That report was used to set the rate covering the contract periods beginning October 1, 1997.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Mac Carroll  
Ms. Karen Radford

**DONALD C. BEAVER, T. W. CECIL, RICHARD J. MARSH  
D/B/A BRIAN CENTER NURSING CARE/ST. ANDREWS**

**COLUMBIA, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1997  
AC# 3-BCS-J6**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 4, 1998

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Donald C. Beaver, T. W. Cecil, Richard J. Marsh d/b/a Brian Center Nursing Care/St. Andrews, for the contract periods beginning October 1, 1997 and for the twelve month cost report period ended September 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Donald C. Beaver, T. W. Cecil, Richard J. Marsh d/b/a Brian Center Nursing Care/St. Andrews, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Donald C. Beaver, T. W. Cecil, Richard J. Marsh d/b/a Brian Center Nursing Care/St. Andrews dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
September 4, 1998

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**BRIAN CENTER NURSING CARE/ST. ANDREWS**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1997  
AC# 3-BCS-J6

10/01/97-  
09/30/98

Interim reimbursement rate (1)	\$77.45
Adjusted reimbursement rate	<u>77.08</u>
Decrease in reimbursement rate	\$ <u><u>.37</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated July 17, 1998

**BRIAN CENTER NURSING CARE/ST. ANDREWS**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Periods October 1, 1997 Through September 30, 1998  
 AC# 3-BCS-J6

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$32.95	\$43.14	
Dietary		8.37	9.01	
Laundry/Housekeeping/Maint.		<u>6.75</u>	<u>7.38</u>	
Subtotal	\$ <u>4.17</u>	48.07	59.53	\$48.07
Administration & Med. Rec.	\$ <u>-</u>	<u>9.60</u>	<u>9.20</u>	<u>9.20</u>
Subtotal		57.67	\$ <u>68.73</u>	57.27
<u>Costs Not Subject to Standards:</u>				
Utilities		2.71		2.71
Special Services		.95		.95
Medical Supplies & Oxy.		2.44		2.44
Taxes and Insurance		1.87		1.87
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		\$ <u>65.64</u>		65.24
Inflation Factor (4.40%)				2.87
Cost of Capital				6.72
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.17
Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing				(2.42)
Minimum Wage Add On				<u>.50</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				\$ <u>77.08</u>

**BRIAN CENTER NURSING CARE/ST. ANDREWS**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1996  
AC# 3-BCS-J6

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,410,022	\$ 1,056 (4) 478 (4)	\$ 386 (3) 5,998 (5)	\$1,405,172
Dietary	356,782	-	46 (3)	356,736
Laundry	83,381	144 (6)	882 (3) 142 (7)	82,501
Housekeeping	104,859	504 (6)	36 (3) 360 (7)	104,967
Maintenance	98,891	1,277 (4) 474 (6)	48 (3) 344 (7)	100,250
Administration & Medical Records	505,582	802 (4) 2,666 (6)	195 (3) 97,038 (4) 2,464 (7)	409,353
Utilities	114,932	505 (4) 551 (6)	396 (7)	115,592
Special Services	47,361	4 (4)	300 (3) 6,408 (5)	40,657
Medical Supplies & Oxygen	104,511	4,775 (5)	5,415 (3)	103,871
Taxes & Insurance	59,345	20,304 (4) 285 (6)	285 (7)	79,649
Legal Fees	6	-	-	6



**BRIAN CENTER NURSING CARE/ST. ANDREWS**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1996  
AC# 3-BCS-J6

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	312,479	1,723 (6) 47 (8)	2,880 (1) 9,772 (2) 14,855 (4) 203 (7)	286,539
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Subtotal	3,198,151	35,595	148,453	3,085,293
Ancillary	142,121	-	-	142,121
Non-Allowable	775,574	2,880 (1) 9,772 (2) 7,308 (3) 87,467 (4) 7,631 (5) 4,194 (7)	6,347 (6) 47 (8)	888,432
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>\$4,115,846</u>	<u>\$154,847</u>	<u>\$154,847</u>	<u>\$4,115,846</u>
TOTAL PATIENT DAYS	<u>42,646</u>	<u>-</u>	<u>-</u>	<u>42,646</u>
TOTAL BEDS	<u>120</u>			

**BRIAN CENTER NURSING CARE/ST. ANDREWS**  
Adjustment Report  
Cost Report Period Ended September 30, 1996  
AC# 3-BCS-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 37,810	
	Accumulated Depreciation	4,337	
	Nonallowable	2,880	
	Other Equity		\$ 42,147
	Cost of Capital		2,880
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Other Equity	14,880	
	Nonallowable	9,772	
	Loan Cost		14,880
	Cost of Capital		9,772
	To adjust loan cost and related amortization to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	7,308	
	Nursing		386
	Dietary		46
	Laundry		882
	Housekeeping		36
	Maintenance		48
	Medical Records		195
	Medical Supplies		5,415
	Special Services		300
	To adjust expense to cost of related organization HIM-15-1, Section 1000		

**BRIAN CENTER NURSING CARE/ST. ANDREWS**  
Adjustment Report  
Cost Report Period Ended September 30, 1996  
AC# 3-BCS-J6

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Nursing	1,056	
	Restorative	478	
	Maintenance	1,277	
	Medical Records	802	
	Utilities	505	
	Taxes and Insurance	20,304	
	Special Services	4	
	Nonallowable	87,467	
	Administration		97,038
	Cost of Capital		14,855
	To adjust management fees to cost of related organization HIM-15-1, Sections 1000 and 2304 State Plan, Attachment 4.19D		
5	Medical Supplies	4,775	
	Nonallowable	7,631	
	Restorative		5,998
	Special Services		6,408
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
6	Laundry	144	
	Housekeeping	504	
	Maintenance	474	
	Administration	2,666	
	Utilities	551	
	Taxes and Insurance	285	
	Cost of Capital	1,723	
	Nonallowable		6,347
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**BRIAN CENTER NURSING CARE/ST. ANDREWS**  
Adjustment Report  
Cost Report Period Ended September 30, 1996  
AC# 3-BCS-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
7	Nonallowable	4,194	
	Laundry		142
	Housekeeping		360
	Maintenance		344
	Administration		2,464
	Utilities		396
	Taxes and Insurance		285
	Cost of Capital		203
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
8	Cost of Capital	47	
	Nonallowable		47
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	<u>\$211,874</u>	<u>\$211,874</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**BRIAN CENTER NURSING CARE/ST. ANDREWS**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1996  
AC# 3-BCS-J6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1144</u>
Deemed Asset Value (Per Bed)	33,022
Number of Beds	<u>120</u>
Deemed Asset Value	3,962,640
Improvements Since 1981	493,491
Accumulated Depreciation at 9/30/96	<u>(1,164,152)</u>
Deemed Depreciated Value	3,291,979
Market Rate of Return	<u>0.070</u>
Total Annual Return	230,439
Return Applicable to Non-Reimbursable Cost Centers	(819)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	229,620
Depreciation Expense	77,963
Amortization Expense	4,801
Capital Related Income Offsets	(25,642)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(203)</u>
Allowable Cost of Capital Expense	286,539
Total Patient Days (Actual)	<u>42,646</u>
Cost of Capital Per Diem	\$ <u><u>6.72</u></u>

**BRIAN CENTER NURSING CARE/ST. ANDREWS**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1996  
AC# 3-BCS-J6

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$4.54
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$8.53</u>
Reimbursable Cost of Capital Per Diem	\$6.72
Cost of Capital Per Diem	<u>6.72</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>